

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2023 - HB 2310

February 13, 2022

SUMMARY OF BILL: Requires the Department of Revenue (DOR) to assess a nonrefundable \$2.00 fee on all money transmitted from this state to a location outside of the United States. Exempts transactions for which the individual transmitting the money produces, at the time of transaction, the individual's valid military identification or spouse's valid military identification.

Requires entities licensed under the Tennessee Money Transmitter Act of 1994 to retain copies of the identification provided and to make them available to inspection by DOR upon request. Authorizes these entities to charge a nonrefundable processing fee of no greater than \$1 per transaction. Takes effect January 1, 2023 and is repealed on January 1, 2027.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$7,886,400/FY22-23/General Fund

\$30,800/FY22-23/DOR

\$77,000/FY22-23/State Sinking Fund

\$15,772,800/Each Year FY23-24 through FY25-26/

General Fund

\$61,600/Each Year FY23-24 through FY25-26/DOR

\$153,900/Each Year FY23-24 through FY25-26/

State Sinking Fund

\$7,886,400/FY26-27/General Fund

\$30,800/FY26-27/DOR

\$77,000/FY26-27/State Sinking Fund

Increase Local Revenue - \$385,700/FY22-23

\$771,500/Each Year FY23-24 through FY25-26

\$385,700/FY26-27

Assumptions:

- For purposes of collecting revenues, the proposed legislation will become effective January 1, 2023.

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- Based on information provided by the Department of Financial Institutions (DFI), there are approximately 165,000,000 total money transmission transactions and 9,000,000 money transmission transactions sent outside of the U.S. annually in Tennessee.
- The proposed legislation assesses a \$2 fee on any international transaction for which the person initiating the transaction is unable to produce a valid military identification or spouse's valid military identification at the time of transaction.
- According to the United States Department of Veteran Affairs, there were 456,196 veterans living in the state of Tennessee as of September 2020.
- According to the United States Department of Defense, there were 2,493 active duty military and 17,789 members of the Tennessee National Guard living in the state as of 2021.
- The percentage of Tennessee's population that is able to produce a valid military identification is estimated to be 6.89 percent $[(456,196 + 2,493 + 17,789) / 6,910,840 \text{ 2020 Tennessee Census Population}]$
- For the purposes of this analysis, it is assumed that 93.11 percent of the total transmissions, or 8,379,900 transmissions $(9,000,000 \times 93.11\%)$ total, will be subject to the proposed fees, wherein the person initiating the transfer was unable to produce the necessary documentation at the time of transaction.
- The total amount collected annually is therefore estimated to be \$16,759,800 $(8,379,900 \times \$2.00)$.
- Due to the effective date and repeal date, the total amount collected in each FY22-23 and FY26-27 will be half of a full year impact, or estimated to be \$8,379,900 $(\$16,759,800 / 2)$.
- Moneys collected from this legislation are required to be allocated pursuant to Tenn. Code § 67-6-103 as follows:
 - 29.0141% to the General Fund
 - 65.0970% to the General Fund and earmarked for education
 - 4.6030% to municipalities
 - 0.3674% to DOR
 - 0.9185% to the State Sinking Fund
- A total allocation to the General Fund of 94.1111 percent $(29.0141\% + 65.0970\%)$.
- The increase in revenue to the General Fund is estimated to be \$15,772,832 $(\$16,759,800 \times 94.1111\%)$ in FY23-24 through FY25-26, and \$7,886,416 $[(\$16,759,800 \times 94.1111\%) / 2]$ in FY22-23 and FY26-27.
- The increase in revenue to the DOR is estimated to be \$61,576 $(\$16,759,800 \times 0.3674\%)$ in FY23-24 through FY25-26, and \$30,788 $[(\$16,759,800 \times 0.3674\%) / 2]$ in FY22-23 and FY26-27.
- The increase in revenue to the State Sinking Fund is estimated to be \$153,939 $(\$16,759,800 \times 0.9185\%)$ in FY23-24 through FY25-26, and \$76,969 $[(\$16,759,800 \times 0.9185\%) / 2]$ in FY22-23 and FY26-27.
- The increase in local revenue is estimated to be \$771,454 $(\$16,759,800 \times 4.6030\%)$ in FY23-24 through FY25-26, and \$385,727 $[(\$16,759,800 \times 4.6030\%) / 2]$ in FY22-23 and FY26-27.

IMPACT TO COMMERCE:

Increase Business Revenue – \$82,500,000/FY22-23

\$165,000,000/Each Year FY23-24 through FY25-26

\$82,500,000/FY26-27

Other Commerce Impact – Increasing the cost to transmit money internationally is estimated to decrease the frequency and average value of transmissions. Additional costs may be incurred by the money transmitter industry to accommodate the requirements of this legislation. The extent of such impacts on the money transmitter industry in Tennessee is unknown.

Assumptions:

- The proposed legislation authorizes entities licensed under the Tennessee Money Transmitter Act of 1994 to charge an additional nonrefundable processing fee of up to \$1.00 per transmission.
- The total increase in revenue to licensed money transmitters in Tennessee in FY22-23 and FY26-27 is estimated to be \$82,500,000 $[(165,000,000 / 2) \times \$1.00]$
- The total increase in revenue to licensed money transmitters in Tennessee in each fiscal year FY23-24 through FY25-26 is estimated to be \$165,000,000 $(165,000,000 \times \$1.00)$
- Increasing the cost to transmit money internationally is reasonably assumed to decrease the frequency of transmissions and their average value.
- Additional costs will be incurred by the transmitter industry to accommodate the requirements of the proposed legislation.
- The extent of these impacts on the money transmitter industry in Tennessee is unknown.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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